

Message Text

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41

ACTION EB-07

INFO OCT-01 NEA-06 ISO-00 TRSE-00 FEA-01 AEC-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01

INR-05 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

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TO SECSTATE WASHDC 9153

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E.O. 11652: N/A

TAGS: ENRG

SUBJ: OFFICIAL REACTION TO SECRETARY SIMON'S SPEECH

REF: A. STATE 256861 B. TEHRAN USIS 241012Z

1. IN THE COURSE OF COURTESY CALL NOVEMBER 24 BY ARCHIBALD ROOSEVELT ON BAQER MOSTOFI, GENERAL MANAGING DIRECTOR, NATIONAL IRANIAN PETROCHEMICAL CO, MOSTOFI VOLUNTEERED THE FOLLOWING NEGATIVE COMMENT ON SIMON'S SPEECH REPORTED IN TEHRAN JOURNAL OF NOVEMBER 24.

2. MOSTOFI SAID THAT THERE SIMPLY IS NO LIKELIHOOD WHATEVER OF OIL PRICES DECLINING AND SIMON'S CALL FOR LOWERING OF PRICES COULD NOT POSSIBLY SUCCEED. HE SAID THAT FUNDAMENTALLY THE US PROBLEM WAS WITH THE ARAB STATES WHO WERE UNABLE TO SPEND THEIR GREATLY INCREASED OIL REVENUES. IRAN WAS NOT REPEAT NOT THE CULPRIT IN THE PRODUCER-CONSUMER "CONFRONTATION" OVER OIL PRICES SINCE ALL OF IRAN'S OIL SURPLUS OVER THE NEXT FIVE YEARS WOULD BE COMMITTED FOR INVESTMENT, COMMERCE IMPORTS AND FOREIGN ASSISTANCE ABROAD. HE REPEATED THE WELL-KNOWN IRANIAN LINE ON THE PRICE THAT IRAN

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MUST PAY FOR ITS MACHINERY AND EQUIPMENT IMPORTS, I.E. PRICE

INDICES FOR THESE ITEMS CONTINUE TO RISE. IN THIS CONNECTION, HE QUOTED FROM A MEMORANDUM WHICH HIS STAFF PREPARED CONCERNING A PENDING PETROCHEMICAL PROJECT; WITH A PRICE INDEX OF 100 FOR JULY 1973, THE FIGURE FOR IMPORTED COMPONENTS FOR THIS PROJECT (FURNACES, KILNS, STRUCTURAL STEEL, ETC) BY APRIL 1974 STOOD IN A RANGE OF 150-200. ALTOGETHER, THE TOTAL COST FOR THIS PROJECT TO IRAN HAS RISEN OVER THE PAST EIGHTEEN MONTHS FROM ONE BILLION DOLLARS TO 2.2 BILLION DOLLARS.

3. MOSTOFI ALSO TOOK ISSUE WITH SECRETARY SIMON'S OBSERVATION THAT THE PURCHASING POWER OF A BARREL OF OIL IS FIVE TIMES GREATER NOW THAT IT WAS TWENTY YEARS AGO. ACCORDING TO MOSTOFI, THE PRICE OF OIL IN 1954 WAS AT AN UNREALISTIC LOW LEVEL THAT YEAR AND COULD NOT FAIRLY BE CONSIDERED AS A REASONABLE BASE POINT.

4. ALTHOUGH MOSTOFI WAS CRITICAL OF SIMON'S SPEECH, AS HE UNDERSTOOD IT FROM PRESS ACCOUNTS HERE, NONETHELESS HE OFFERED HIS COMMENTS IN CHARACTERISTICALLY GOOD HUMOR.
HELMS

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